



SECTION 12

Risk Management and Self-Insurance Premiums

12.1 Agency self-insurance premiums decision packages

Risk management is a key strategy for reducing costs and improving outcomes

Risk management refers to the practices an organization uses to manage its risks. The discipline considers environmental, strategic, operational, and financial risks across the organization. It includes identifying, measuring, prioritizing, and responding to risk. Managing risk should be integrated with planning and operational processes and should be part of each decision making process. Each agency needs to understand the strategic risks it faces, and to decide how its risks should be managed. The budget submittal offers a means for agencies to describe their risk management strategies.

Self-insurance premiums will be budgeted through decision packages

Agency self-insurance premiums will continue to be budgeted as a distinct line item at either the maintenance or performance level. This approach enhances the oversight of agency loss trends and improves strategies to mitigate future losses. Agencies with past and potential future loss experience as the primary driver of their premium increase are to prepare a performance level decision package. Agencies with less frequent and less severe losses are to complete a maintenance level decision package.

OFM will notify agencies about which type of decision package to submit

Later in the spring, OFM will notify agencies indicating the incremental change in the agency's self-insurance premiums for 2005-07 and whether the agency should prepare a maintenance or performance level decision package for this amount.

Include the following information in the self-insurance premiums decision package

Please address the following topics in the narrative of the self-insurance premiums decision package. However, do not include confidential information related to specific closed/pending claims or lawsuits. Seek advice from assigned agency legal staff if there are questions.

1. **Self-Insurance Premiums** – Provide the dollar amount of your agency's self-insurance premiums for previous (2001-03), current (2003-05), and upcoming biennia (2005-07) in the decision package narrative. (In the fiscal detail area, enter only the incremental increase or decrease from 2003-05.)

2. **Past Agency Loss Trends** – Summarize your agency’s loss trends during the last five years. Include information to address whether the loss trends match the risks your agency has identified.
3. **Future Agency Loss Trends** – Summarize your agency’s potential future loss trends and explain strategies your agency will use to mitigate/preclude these losses from occurring in the future.
4. **Risk Management Goals and Measures/Recap** – Discuss your agency’s risk management goals and associated performance measures. Include a recap of the accomplishment of the 2003-05 goals.
5. **Risk Management Executive Order Recap** – Discuss the accomplishments the agency has achieved in response to Executive Order #01-05.
6. **Key Risk Analysis** – Discuss the key risks and challenges of the agency, and the level of risk it is willing to accept.
7. **Risk Management Goals and Measures Planned** – Discuss risk management goals and performance measures for 2005-07.

See Sections 5.2 and 6.1 for the correct RecSum code to use for these decision packages. Self-insurance premiums performance level decision packages should receive a number one priority.

Resources to assist agencies

- The Risk Management Division (RMD) of OFM can provide a loss history profile of agency losses, including pending claims. Reports can be requested on-line at <http://www.ofm.wa.gov/rmd/budget.htm>.
- For additional risk management information and resources, including sample decision packages, visit the RMD website at <http://www.ofm.wa.gov/rmd/index.htm>.
- RMD staff is available to assist you with interpreting loss trends and developing risk management goals. Please contact Jolene Bellows, RMD Loss Prevention Manager, at 902-7312 or jolene.bellows@ofm.wa.gov.